Private Line: This category includes agreements for the channels used in providing private line services, Bell Channel services, and foreign exchange services.

Intercept: Intercept agreements provide intercept announcements for customers who have moved.

Internet: This category covers agreements with Internet service providers, including agreements with LEC subsidiaries providing Internet or Internet services provided by the LEC under nonutility merchandising.

Cellular: This category covers agreements with cellular, paging or RCC providers.

State Services: This category covers agreements covering links or "spurs" used by the State Telephone Service (STS) system or by the lottery network.

Other: This category covers any other agreements between providers not listed above.

Schedule

Agreements must be filed according to the following schedule. Early filing (more than 15 days before the listed date) is strongly discouraged.

By July 1, 1996
Ameritech and GTE file: any direct interconnection, cellular and EAS agreements, including agreements between Ameritech and the ICOs and between GTE and the ICOs.
ICOs File: none.

By August 1, 1996
Ameritech and GTE File: SS7, toll transport, toll recording and other toll services.
ICOs File: none.

By September 3, 1996
Ameritech and GTE File: 911, DA, OS and directory listing agreements.
ICOs File: none.

By October 1, 1996
Ameritech and GTE file: ECC.
ICOs File: ECC.

By November 1, 1996
Ameritech and GTE File: switcher areas, state services, internet, private line and other agreements.
ICOs File: direct interconnection and EAS agreements.

By December 2, 1996
Ameritech and GTE File: any remaining agreements.
ICOs File: SS7, toll transport, toll recording and other toll services.

By January 2, 1997
Ameritech and GTE File: none.
ICOs File: 911, DA, OS and directory listing agreements.

By February 3, 1997
Ameritech and GTE File: none.
ICOs file: switcher areas, state services, internet, private line and other agreements.

This letter order is issued under the Commission's jurisdiction in ss. 196.02, 196.19, 196.194(1), 196.196, 196.20, 196.25, 196.28, 196.37, 196.219, Stats., other provisions of chs. 196 and 227, Stats., as may be pertinent hereto, and the Telecommunications Act of 1996, 47 U.S.C. §§ 251 and 252.

If you should have any questions on this, please contact Peter Jahn of the Telecommunications Division staff at (608) 267-2338.

By the Commission.

Signed this 17th day of May 1996

Lynda L. Dorr
Secretary to the Commission

LLD:PRJ:reb:h:\ss\lorder\140sched.prj

cc: Service List 05-TI-140
Records Management, PSCW

See attached Notice of Appeal Rights.

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in s. 227.53, Stats. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in s. 227.01(3), Stats., a person aggrieved by the order has the further right to file one petition for rehearing as provided in s. 227.49, Stats. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with s. 227.48(2), Stats., and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 4/22/91

ATTACHMENT C

Analysis of Initial Comments
FCC Docket CC 96-98
W. P. Montgomery

Association for Local Telecommunications Services
May 30, 1996

Introduction

The Association for Local Telecommunications Services (ALTS) asked me to review the economic evidence that was presented by some of the other parties in the initial comments filed May 16, 1996.[1] Not surprisingly, the principal issue raised by these submissions about pricing local interconnection services and unbundled network elements involved the use of total service long run incremental costs (TSLRIC) and the size of the markup to TSLRIC costs, if any, to be applied to actual prices. Incumbent local exchange carriers naturally argue that the TSLRIC value itself will not provide adequate compensation to them by not allowing them to recover their historical costs. The ILECs' economic evidence contains mainly general arguments that are not supported by specific empirical data or theoretical citations. Most of the submissions implicitly contain similar misperceptions and fallacies. My purpose is merely to discuss these problems in broad terms.

The ILECs' arguments reflect three basic fallacies. First, none of the comments presents a convincing argument that Congress intended that ILECs should recover historical embedded costs in the pricing of interconnection services. Most of the ILECs' submissions either explicitly or implicitly assume that incumbents are victims of gross distortions in their present pricing structures, including major categories of residential service being priced far below costs. However, most state regulators that have recently examined price/cost relationships for these services have not found deficits of the magnitude that the ILECs suggest.

Second, the ILECs' make the false assumption that pricing at TSLRIC for the intermediate, wholesale services to competitive entrants will preclude recovery of these costs

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[1] Among the submissions that I reviewed were the "Affidavit of Edward C. Beauvais," attached to the Comments of GTE Service Corporation; the "Declaration of Robert W. Crandall," attached to the initial comments of Bell Atlantic Corporation;" Doane, Sidak and Spulber, " An Empirical Analysis of Pricing Under Sections 251 and 252 of the Telecommunications Act of 1996," attached to initial comments of GTE Service Corp; the "Affidavit of Professor Jerry A. Hausman," attached to the Comments of the United States Telephone Association; the "Response to FCC NPRM" by Robert Harris and Dennis Yao; Rolphs, Haring, Monson and Shooshan, "Interconnection and Economic Efficiency," attached to the comments of BellSouth Corporation; Southwestern Bell Telephone Company, Appendix A, "Efficient Component Pricing Rule," and Appendix B "Analysis and Comparison of the Benchmark Cost Model," and selected other comments of LECs and IXCs.

from retail end users. Competition is unlikely to be so immediate and extensive that retail prices will be bid down to such levels. In focusing on their own historical cost burdens, the LECs overlook the fact that all local market entrants are currently accumulating severe deficits. This condition precludes immediate movement of retail prices to true TSLRIC levels.

Third, most of the comments concerning "joint and comment" costs make the errors I discussed in the paper submitted on May 16. That is, the ILECS' evidence fails to appropriately (a) separate the issue of recovering true joint or shared costs from recovery of common overheads; and (b) consider whether recovery of overheads from intermediate interconnection services would be economically efficient. The ILECS' comments fail to make a valid empirical case against the use of generalized "proxy cost" models such as the Hatfield Model.[2]

Historical costs and the statutory scheme

Ultimately, the Commission will determine the appropriate meaning of the language of the Telecommunications Act with respect to pricing unbundled network elements, local call terminations and ILEC collocation offerings. It seems unnecessary at this point to attempt additional interpretation of the key phrases such as "determined without reference to a rate-of-return or other rate-based proceeding" and "added costs." However, most of the initial comments fail to consider that Congress also specified a separate mechanism by which departures from marginal costs of interconnection should be addressed. The Act's provisions on universal service provide the type of contribution transfer mechanism that allows the

[2] It is unlikely that the existing proxy cost models have reached their final evolutionary state. Work remains to be done to accurately account for business customers and business access lines in order for the models to more accurately reflect scale and scope economies within discrete geographic areas. The input prices used to estimate the proxy costs must be scrutinized in order to account for quality adjusted price trends in equipment and components, including discounts from list prices. The proxy network designs must also be reviewed to ensure that the models reflect only forward looking costs for interconnection services and the retail service offerings that will directly compete with them, rather than a network that is designed for future non-telephony services. The forward-looking expense and capital charge factors should be derived independently of historical cost sources such as ARMIS or the mixtures of embedded and forward-looking costs used in some LEC proprietary models. However, the ILECS have presented no data that would prevent the Commission from writing rules to implement sections 251 and 252 that will set out the characteristics of the Hatfield Model as the proxy cost basis for setting interconnection and unbundled network element prices.

interconnection prices themselves to reflect actual marginal costs. Economic literature[3] indicates that a distinct governmental transfer mechanism is an appropriate deviation from the general rule that "In a first best world, access pricing to a network...should be marginal cost pricing."[4]

The Telecommunications Act's provisions on universal service meet the condition of separating the regulatory price setting and taxation powers, and permit the end service prices paid by consumers to reflect adjustments for competitively neutral recovery of the universal service contribution transfers. In other words, the Act's scheme is consistent with the view that the incumbent LEC's preexisting budget constraint, i.e., the LEC's historical costs, should not govern regulatory pricing decisions. Recovery of these historical costs from rates for services used by ILECS' strategic competitors would provide rich opportunities for the incumbents to exploit the regulators' asymmetric information.

Any lump-sum transfer of the ILECS' fixed cost increment is limited by the Act to any costs that could be fairly associated with a true universal service obligation. These are the investments that an ILEC never would have made but for an "obligation to serve."
The ILECS' submissions assume that incumbents are currently burdened by drastic distortions in their pricing and cost structures. This is, of course, mainly an empirical issue, which the May 16 ILEC submissions do not attempt to support in detail. In most state competition proceedings to date, ILECS also have not attempted to quantify whether any such universal service costs exist and, if so, how much they are. In recent years, however, many state commissions that have used their time and resources to investigate these ILEC claims in depth, have contradicted these non-empirical assumptions. States have found that all major class of customers, including residential customers, pay access rates that do cover most of their economic costs, and that total residential customer billings provide net contribution to ILECS'

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[3] See Jean-Jacque Laffont and Jean Tirole, "Access Pricing and Competition," European Economic Review, v.38 p. 1673 (1994); cited a paragraph 147 of the Commission's NPRM.

[4] Id. p. 1698. While Laffont and Tirole recognize that network fixed costs may justify departures from marginal cost pricing, most of the other tests they analyze for such departures work against the LECs' claims for broad recovery of their historical costs. The Commission certainly faces asymmetric information about the ILECS cost functions which no proxy cost model, proprietary or otherwise, can fully cure.

total historical joint and common costs. State commissions in Maryland, Washington and some other states have found that such unrecoverable "legacy" costs do not exist, at least for the larger diversified carriers. The Commission should accordingly discount the ILECS non-empirical claims to the contrary.

If the incumbent LEC has not incurred a true "social cost" in providing service to a particular area and customer group, there is no policy reason why "stranded" costs must be recovered. The concept of "stranded investment" is irrelevant in a competitive market, because stranded investment cannot be recovered from price levels. The ILECS' "stranded investment" is relevant for Commission policies only insofar as the incumbents control a "bottleneck," i.e., some of its outputs are necessary inputs for the market entrant. The selective allocation of its otherwise "stranded" investment can allow the incumbent firm to impose a price squeeze. Stranded investment occurs fairly frequently in competitive markets, not just in regulated markets. While it is normal for a firm to face excess costs whether it is regulated by the marketplace or by a government body, the existence of excess costs in the latter case can be anticompetitive.[5]

Stranded investment may be caused, in fact, by depreciation rates that prove to be too low. But competitive markets may require that a firm forego accruing its "ideal" rates of plant depreciation, if doing so would raise the firm's costs of production above the market-clearing price of its products. In fact, competitive market conditions often do not allow sunk investment costs to be recovered. Competitive firms often take major writeoffs, as have most U.S. business in the 1990s. If using "economic" (i.e., higher) depreciation rates were a panacea, as the ILECS contend, then such massive writeoffs would not have been necessary. The competitive firm may have been accruing depreciation expenses at, say, the maximum rates

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[5] A federal appeals court recently characterized the pricing strategy of recovering costs of "stranded" investment cost in electricity tariffs as "in essence, a tying arrangement," that would not mitigate the utility's market power, and "may actually increase market power." "Petitioners argue that the concept of stranded investment has no meaning in a competitive market, since a surplus of productive capacity can always be eliminated by lowering price...Hence there really is no such thing as stranded investment, only a failure to compete. Of course, the point of introducing competition is to reap the benefits associated with just such market forces. In this sense, a stranded investment provision is the antithesis of competition. " Cajun Electric Power Cooperative v. FERC, 28 F. 3rd 173, 177 and 179 (DC Cir., 1994).

permitted for tax purposes, but still confront the need to write down plant values if technology changes or other exogenous events shift the market cost of production downward. Similarly, in both competitive and regulated markets, a firm's plant may have also been under depreciated as part of a deliberate management strategy to boost reported earnings, maintain dividend rates or engage in other short term methods of maximizing the firm's financial results. One can find literally dozens of examples of these adjustments in competitive markets each year. The firms that take such writeoffs cannot foist them onto their competitors instead.

Completely separating interconnection prices and any universal service funding, as the Telecommunications Act seems to do, has other advantages as an economic policy. The transfers contemplated in the Act to support true universal service costs can and should be portable among competing suppliers, whereas markups to the ILEC's TSLRIC to recover historical and fixed costs cannot be. An explicit portability feature will be the best way to enable new competitive local exchange carriers to participate in providing services to customers whose service may require a contribution transfer. It will be more "self-enforcing," in that the bidding to provide service will reveal better information about the costs and benefits of offering service to specific customer classes or areas, than would ever more granular cost studies. A fully portable subsidy plan can correct any errors in the size of the contribution or price markup deemed appropriate by the regulator. Only by making the contribution transfer fully portable among potential suppliers of local service to the subsidized segment can these outcomes be resolved consistent with efficient competition.[6]

Ensuring the portability of the contribution from an incumbent to an entrant provider also gives the incumbent clear incentives not to shift its costs into the contribution element. The entrant's interconnection payments must properly reflect the incumbent's economic costs and provide the entrant with the ability to serve high cost customers. If these conditions are satisfied, the incumbent's potential overstatement of the size of the contribution would provide

[6] Portability also simplifies the public administration of the contribution transfers over time. Portability eliminates the disadvantages inherent in the regulator's inferior knowledge of service cost and market demand conditions. Because both the incumbent carrier and the entrant have superior their own internal knowledge of costs and demand, the extent to which they compete for a portable substitute provides the regulator with better information than if the regulator itself set only a fixed, non portable subsidy.

an entrant with a non-economic incentive to serve the area or customer. The incumbent can reduce its risk that portability of the subsidy would give entrants artificial incentives to undercut the incumbent's prices (including the transfer payment) by not overstating the required contribution in the first place. The Telecommunications Act treats contribution transfers separately from interconnection prices, therefore, the Commission should find that the Act does not warrant departures from TSLRIC interconnection rates.

Retail cost recovery

The second fallacy in the LECs' arguments is the implied assumption that the Commission's failure to allow recovery of their historical costs from interconnection services to competitors will preclude the ILECS' from recovering these costs entirely. Only if market forces were sufficient to immediately bid down retail service prices to the economic cost levels would this condition be feasible, however. As much as some might wish for this outcome, competition is unlikely to be so immediately efficacious. It is ironic that the ILECS imply that such conditions will occur in the foreseeable future in local telecommunications when one of the key economic arguments of the same carriers in recent years is that the long distance market has failed to exhibit rivalrous behavior that was even sufficient to force IXCs to pass on access charge reductions. The ILECS made this argument a major point of their comments in Phase I of the price cap review proceeding and during consideration of the changes that Congress subsequently enacted.[7] The ILECS simply have provided no evidence to resolve the conflicts between their views of "oligopolistic" conditions in long distance with the implied assumption that local competition will require drastic immediate reductions in retail rates and seriously impair the ILECS' opportunities to continue to recover efficient retail costs.

The fallacy of the ILECS' point has, in fact, nothing to do with oligopoly market conditions. The significant fixed cost of telecommunications networks that ILECS cite to support markups above TSLRIC costs are, of course, shared by their potential competitors. The CLECs, however, are not able to recover their fixed and getting started costs on a current basis, as monopoly telephone companies have been accustomed to doing. MFS, one of the two largest

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[7] See, e.g., "Affidavit of Paul W. MacAvoy," attached to the "Motion of Bell Atlantic, BellSouth, NYNEX and Southwestern Bell to Vacate the Decree," July 6, 1994, U.S. v. Western Electric and AT&T, CA No. 82-0192,

CLECs in operation today, realized operating revenues in 1995 of $583 million.[8] MFS' operating deficit was over $239 million, or about 41% of its total turnover. Rational entrants must expect to recover past, present and future operating deficits from their retail prices over time, but they will have to set their own retail prices above the forward-looking economic costs to do so. Even if an entrant were equally as efficient in the long-run provision of local telecommunications service, the ILECS against which it competes could still expect to confront retail market prices reflecting a large margin over economic costs. If market conditions had allowed it to do so, MFS might have priced its services 40% or more higher in 1995; that it did not do so evidences both the pressures faced by any entrant and the need for entrant firms to take a long term view of the market.

Competition also will ultimately reduce the amount of contribution that a ILEC realizes from toll or vertical services prices that may now contribute support to basic access rates, but only as competition places pressures on an incumbent LEC price levels. The future decreases in toll and vertical services price levels will simply reflect the appropriate bidding process among ILECS and entrants, a process tied to many different market forces. These effects also are unlikely to be significant in the near term for several reasons. The same market pressures on the incumbent LEC's contribution-producing prices will create pressures on all service providers to cut costs. These new efficiencies will mean that lower prices do not necessarily result in lower contribution. As competition develops, both basic and non-basic services may become subject to higher demand stimulation; innovation and reduced prices could increase the per-customer expenditures on the contribution-producing products. Finally, the incumbent LECs already have significant freedom to set prices for many discretionary services at "market levels," therefore, prices for such services may change relatively little under competition.

Any departure from strict economic pricing of the ILECS' interconnection elements would raise the issue of symmetrical treatment for entrants' accumulated deficits. Once the Commission abandoned the economic pricing standard, allowing ILECS to recover sunk costs from interconnection fees, CLECs would logically be entitled to recover start-up deficits, as the

[8] This amount equals slightly less than the revenues collected by ILECS every 2.3 days in 1995.

Commission recently allowed cable operators to do in rates set under its cost of service rules.[9] However, the Commission need not confront the existence of the competitive entrants' existing — and growing — operating deficits. Presumably, competitive market forces will determine when and how entrants ultimately recover the deficits. If the Commission allowed ILECS to recover their historical or fixed costs from local competitors (raising the competitors' costs of doing business and delaying the time they might anticipate reasonable profits), on the other hand, then symmetry would seem to demand that entrants' deficits should be recoverable by regulatory prescription as well. Of course, the net effect of these combined policies would simply be higher consumer prices, lower welfare, and less competition without regard to the relative economic efficiency of the competing carriers.

"Joint and common costs"

The evidence presented in the May 16 submissions regarding "joint and common costs" is not as helpful as it might have been if time had permitted. The ILECS' submissions on the subject are essentially cursory, to wit: Joint and common costs exist, therefore they should be included in the interconnection prices. This view entirely fails to consider the efficiency effects of collecting common costs from intermediate goods, as I noted in my May 16 submission. Other comments provided more explicit qualitative tests to govern any ILEC recovery of such costs:

> To the extent there are non-trivial common or shared costs among network elements, it is critical that the Commission establish strict limits on their recovery to avert arbitrary additives significantly above TSLRIC, which could undermine the efficiencies and protection of competition offered by the TSLRIC benchmark.[10]

Baumol, Ordover and Willig also specify other guidelines relative to the identification of shared

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[9] Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992: Rate Regulation, MM Docket No. 93-215; and Adoption of a Uniform Accounting System for Provision of Regulated Cable Service, CS Docket No. 94-28, Second Report and Order, First Order on Reconsideration, and Further Notice of Proposed Rulemaking, January 26, 1996. The Commission allowed operators to recover accumulated return deficiencies in excess of the amounts determined by the Commission to reflect monopoly rents, and permitted operators to prove they had incurred prematurity costs over a period longer than the two years recognized by the Financial Accounting Standards Board. [¶s 53-62 and ¶ s 69-71, respectively].

[10] "Affidavit of William J. Baumol, Janusz A. Ordover and Robert D. Willig," attached to the initial comments of AT&T, p. 13.

costs in any TSLRIC markups, stating that the Commission should not allow mere accounting allocations of shared costs, and should ensure that any forward looking markups should be causally related to the direct TSLRIC costs.[11] The resulting difference between the aggregate TSLRIC value of a group of services and a subset of TSLRIC values should be assigned among wholesale interconnection services and the ILEC's retail services on a competitively neutral basis, and should never exceed stand alone costs of the service or element being analyzed. These specifications are substantively identical to my point that the ILECS' true joint costs should be carefully identified, and that each competitor's common overhead costs should be assumed to offset each other and therefore be collected only through retail rates.

No party has yet been able to identify an unambiguous empirical standard to determine the level of any actual joint or shared costs to be recovered from prices.[12] The Commission should undertake several steps to cure the empirical deficiencies in the calculation of common costs, if, indeed, any recovery of the ILECS' common costs is allowed. The rules should identify true joint costs and exclude costs associated with ILEC retail functions. The Commission may also have time to undertake independent analysis of the common costs incurred by capital-intensive firms in fully competitive markets. The analysis of this issue should not be confined merely to the historical characteristics of telephone companies that reflect years of monopoly operations. Finally, if the Commission allows recovery of any non-service related joint and common costs, it should also place the burden on the ILECS to demonstrate that they in fact require recovery of such costs — regardless of the percentage ceiling in the pricing rules, based upon examination of other overhead incurred in competitive industries.

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[11] With the exception of the Illinois Commission's requirement for an "aggregate revenue test," that I noted in my May 16 paper [p. 9, footnote 17], most TSLRIC-type filings by ILECS at the state level would not satisfy this type of test.

[12] The Hatfield Model's TSLRIC values are increased by 6% in an effort to estimate the true common costs incurred by firms in industries subject to cost structure conditions similar to the ILECS. The May 16 comments of Sprint Corporation suggest that the Commission place a 15% cap on common costs. The percentage is based strictly upon historical, average costs reflected in the ratio of major ILECS' Corporate Operations Expenses to operating costs. [May 16 Comments of Sprint, pp. 49-50 and footnote 25]. Sprint also calculates a ratio of 0.166 for joint and common costs identified by Bell Atlantic Maryland before the Maryland PSC. The problem with this calculation is that the ratio identified by Sprint is more than twice as large as the markup over TSLRIC costs that the Maryland PSC actually allowed in setting local call termination rates for Bell Atlantic.

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Replies of the Association for Local Telecommunications Services was served May 30, 1996, on the following persons by First-Class Mail or by hand service, as indicated.

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IMPLEMENTING LOCAL COMPETITION UNDER THE TELECOMMUNICATIONS ACT OF 1996

PROPOSED FCC REGULATIONS

Prepared by the Association for Local Telecommunications Services

REVISED VERSION - MAY 30, 1996

PROPOSED REGULATIONS

IMPLEMENTATION OF LOCAL COMPETITION

TABLE OF CONTENTS

PART **

IMPLEMENTATION OF LOCAL COMPETITION

Subpart A

.101 **Purpose. The purpose of the rules in this Part is to specify the obligations imposed on telecommunications carriers in Sections 251 and 252 of the Telecommunications Act of 1996 ("the Act"), and also to provide for the uniform enforcement of those obligations, in order to assure prompt implementation of the Act's pro-competitive mandate in an efficient manner.

.102 **Scope. The rules in this part apply to all telecommunications carriers that invoke or bear any right, duty or obligation under Sections 251 or 252 of the Act. Rules detailing other carrier obligations under other portions of the Telecommunications Act of 1996 are set forth elsewhere at 47 C.F.R. §§ **.

.103 **Definitions. The terms defined in 47 U.S.C. § 153 shall have the same meanings when used in these regulations. As used in this Part, the terms below have the following meanings:

(a) "AIN" means "advanced intelligent network."[1]

(b) "central office switch" or "central office" means a switching entity within the public switched telecommunications

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[1] See, e.g., Bellcore, Advanced Intelligent Network, Release 1, Switching Systems Generic Requirements, Technical Advisory TA-NWT-001123 Issue 1. May 1991.

network, including, but not limited to:

(1) "end office switches," also known as "Class 5 switches," from which end-user exchange services are directly connected and offered, and

(2) "tandem office switches", also known as Class 4 switches, which are used to connect and switch trunk circuits between and among central office switches.

(c) "collocation" is an interconnection arrangement in which one telecommunications carrier extends transmission facilities to a central office, wire center or other aggregation point in the network of a another telecommunications carrier, and in which the first carrier's facilities are terminated into equipment installed and maintained by or on behalf of the first carrier for the primary purpose of interconnecting the first carrier's facilities to the facilities of the second carrier.

(d) "end user" means the individual or entity with the ultimate financial and managerial responsibility for the use of a carrier's telecommunications service.

(e) "interconnection" means the connection of pieces of equipment or facilities under separate ownership or control within, between, or among networks for the purpose of the transparent exchange of traffic. There are several methods of interconnection including, but not limited to: collocation arrangements and mid-span meet arrangements.

(f) "interconnection arrangement" means any arrangement for the services and functionalities set forth in sections 251 and 252 of the Act, whether written or verbal, including all such

arrangements entered into prior to the effective date of the Act.

(g) "intelligent network" or "IN" means the use of decentralized logic modules (such as Service Control Points ("SCPs")) to interact with the conventional digital, stored program-controlled switch. The logic modules are placed at separate network computers that communicate with the service hardware through the SS-7 network.

(h) "interim number portability" means the transparent delivery of local telephone number portability capabilities from an end user standpoint in terms of call completion, and from a carrier standpoint in terms of compensation, through the use of existing and available call routing, forwarding, and addressing capabilities.

(i) "line side" means an end office connection that is capable of, and has been programmed to treat a circuit as, connecting an end office to an end user. Line side connections offer those transmission and signaling features necessary for the direct connection of end user telephone stations.

(j) "local exchange carrier" has the same meaning given to it in the Act. When used in these rules, "local exchange carrier" includes both incumbent local exchange carriers and any other local exchange carrier.

(k) "local telephone number portability" or "LTNP" means the technical ability of an end-user to utilize its telephone number in conjunction with any exchange service provided by any local exchange carrier operating in the geographic number plan area with which the end user's telephone number(s) is associated,

regardless of whether the end user's chosen local exchange carrier is the carrier that originally assigned the number to the customer, without financial or administrative penalty or degradation of service to either the end user or its chosen local exchange carrier.

(l) "mid-span meet" is an interconnection arrangement whereby two carriers meet at a splice at a designated point.

(m) "N-1 call processing" refers to carriers that perform the data inquiry as to a ported number in order to determine its ultimate routing through the public switched network.

(n) "permanent number portability" means the use of a database solution to provide fully transparent LTNP for all end users and all providers without limitation.

(o) "physical collocation" refers to the form of expanded interconnection under which the collocated equipment is owned and maintained by the interconnector.

(p) "requesting telecommunications carrier" means any telecommunications carrier that has made a written request of an incumbent local exchange carrier to enter into an interconnection agreement. No state or local government may in any way limit the ability of any entity to be a requesting telecommunications carrier.

(q) "signal transfer point" performs a packet switching function that routes signaling messages among service switching points, service control points, signaling points, and other signal transfer points in order to set up call and to query databases for advanced services.

(r) "tandem facilities" are the facilities of incumbent local exchange carriers that provide the functions described as tandem functions in Section 69.2.

(s) "trunk side" refers to a central office switch connection that is capable of, and has been programmed to treat the circuit as, connecting to another switching entity (for example, a private branch exchange or another central office switch). Trunk side connections offer those transmission and signaling features appropriate for the connection of switching entities, and cannot be used for the direct connection of ordinary telephone station sets.

(t) "virtual collocation" refers to the form of expanded interconnection under which the collocated equipment is not owned by the interconnector, but by the carrier which also provides the space in which the equipment is located.

(u) "wire center" means a building or space within a building that serves as an aggregation point on a given carrier's network, where transmission facilities and circuits are connected or switched.

SUBPART B - Duties Under Section 251(a)

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SUBPART C - Duties Under Section 251(b)

.301 **Local Telephone Number Portability

(a) A local exchange carrier shall provide local telephone number portability on a reciprocal basis between its network and